ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF OHIO VALLEY GAS CORPORATION FOR APPROVAL OF A GAS COST ADJUSTMENT PURSUANT TO INDIANA CODE 8-1-2-42 TO BE APPLICABLE TO CERTAIN GAS CONSUMPTION IN THE CALENDAR MONTHS OF OCTOBER, NOVEMBER, AND DECEMBER 2007 WITH THE CONSUMPTION PERIOD STARTING ON OR ABOUT SEPTEMBER 15, 2007 FOR ITS ANR PIPELINE SERVICE AREA	)	CAUSE NO. 37353 GCA 96 APPROVED: SEP 19 2007

BY THE COMMISSION:
Gregory D. Server, Commissioner
Lorraine Hitz-Bradley, Administrative Law Judge

On August 13, 2007, in accordance with Indiana Code §8-1-2-42, Ohio Valley Gas Corporation ("Petitioner") filed its verified Application in this Cause for a Gas Cost Adjustment ("GCA") to be applicable during the consumption months of October, November, and December 2007. The Indiana Office of the Utility Consumer Counselor ("OUCC") filed its report as required under this same statute on September 7, 2007.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, an evidentiary hearing was held in this Cause on September 13, 2007 at 10:30 a.m., in the National City Center, Suite 220, Judicial Courtroom 224, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Petitioner and the OUCC presented their respective evidence. No member of the rate paying public was present at the hearing.

Based upon the applicable law and the evidence presented herein, the Commission now finds:

1. **Statutory Notice and Commission Jurisdiction.** Due, legal and timely notice of the commencement of the public hearing in this Cause was given and published by the Commission as required by law. The Petitioner operates a public gas utility and as such, is subject to the jurisdiction of the Commission as provided in the Public Service Commission Act, as amended. The provisions of said Act authorize the Commission to act in this proceeding. Therefore, the Commission has jurisdiction over the parties and the subject matter herein.

2. **Petitioner's Characteristics.** Petitioner is a corporation organized and existing under the laws of the State of Indiana, and has its principal office at 111 Energy Park Drive, P. O. Box 469, Winchester, Indiana, 47394-0469. It is engaged in rendering natural gas utility service

to the public within the State of Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. **Source of Natural Gas.** I.C. §8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies in order to provide service to its customers at the most practical and economical level possible.

Petitioner's witness S. Mark Kerney testified that Petitioner has a long-term contract with ANR pipeline for transportation and storage, which expires on October 31, 2008, and that the contracted maximum daily quantity is 18,500 Dth. Petitioner is allocated storage on the ANR pipeline under their Federal Energy Regulatory Commission ("FERC") Order 636 compliance filing tariffs.

Pursuant to these contracts, Petitioner will utilize ANR pipeline during the three-month period beginning October 1, 2007, for transportation services and will purchase its natural gas from natural gas broker(s) and/or producers in the spot market, under fixed price purchasing arrangements, and pipeline storage arrangements.

The testimony of Petitioner's witness S. Mark Kerney indicated that ANR Pipeline Company is the nearest and most economical pipeline passing through Petitioner's general service area. Transmission facilities are in place to transport the purchased gas to Petitioner's distribution facilities. Mr. Kerney further testified that utilizing another pipeline for transportation services would require a large investment in transmission facilities that would offset any potential savings through decreased transportation and/or gas costs and also would require various approvals from the FERC. Witness Kerney also stated that Petitioner monitors its purchasing practices to keep purchased gas costs as low as economically feasible given weather and other variable load factor elements. Mr. Kerney testified that Petitioner bought the cheapest available gas for the month regardless of the original estimated cost for that particular month.

The Petitioner's evidence demonstrates that it has made every reasonable effort to acquire long-term gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

4. **Purchased Gas Cost Rates.** I.C. §8-1-2-42(g)(3)(B) requires Petitioner's pipeline supplier(s) of gas to have requested or filed for a change of cost of gas pursuant to the jurisdiction and procedures of a duly constituted regulatory agency. The evidence of record indicates that gas costs in this application include transportation rates that have been filed by Petitioner's pipeline suppliers in accordance with FERC jurisdiction and procedures. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** I.C. §8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment which results in the Petitioner earning a return in excess of the return authorized by the last Commission proceeding in which Petitioner's basic rates and charges were approved. The most recent proceeding in which Petitioner's basic rates and charges were approved is Cause No. 42239. The Commission's January 2, 2003 Order in that Cause authorized Petitioner to earn a net operating income of $2,664,901. Petitioner's evidence herein indicates that for the twelve

(12) months ending May 31, 2007, Petitioner's actual net operating income was $913,511 after weather normalization. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of that authorized in its last rate case.

6. **Estimation of Purchased Gas Costs.** I.C. §8-1-2-42(g)(3)(D) requires that Petitioner's estimate of its prospective average gas costs for each future recovery period be reasonable. The Commission has determined that this requires, in part, a comparison of prior estimations with the eventual actual costs.

The evidence indicates that the estimating techniques during the reconciliation period of March 2007 through May 2007 ("Reconciliation Period") yielded an underestimated weighted average error of 0.47 percent. The Commission finds that Petitioner's prospective average estimate of gas cost is reasonable.

7. **Reconciliation.** I.C. §8-1-2-42(g)(3)(D) also requires that the petitioning utility reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence established that, during the Reconciliation Period, Petitioner undercollected $101,472 from its customers. This amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs as an increase in the cost of gas. The amount of the Reconciliation Period variance to be included in this GCA as an increase in the estimated net cost of gas is $32,253.

The variance from prior recovery periods applicable to the current recovery period is an undercollection of $71,018 to be applied as an increase in the cost of gas. Combining this amount with the Reconciliation Period variance results in an undercollection of $103,271 to be applied in this GCA as an increase in the estimated net cost of gas.

Petitioner received no new refunds during the Reconciliation Period, and has no refund from a prior period applicable to the current recovery period. Therefore, Petitioner has no refund to be returned in this Application.

Based on the evidence presented, the Commission finds that Petitioner's proposed GCA properly reconciles the difference between the actual costs for the Reconciliation Period and the gas costs recovered during the same period.

8. **Resulting Gas Cost Adjustment Factors.** The estimated net commodity cost of gas to be recovered during the application period is $3,580,383. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of $3,683,654. After dividing that amount by estimated sales and after adding the demand cost per unit of sales, subtracting the base cost of gas, and adjusting for Indiana Utility Receipts Tax, Petitioner recommended GCA factors are as shown below.

Rate 11	$4.100/Dth
Rate 12	$4.920/Dth
Rate 13	$0.000/Dth
Rate 14	$3.267/Dth

Accordingly, the Commission finds Petitioner recommended GCA factors should be approved.

9. **Effects on Residential Customers**. The GCA factor of $4.100/Dth represents an increase of $0.252 from the current GCA factor of $3.848/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table No. 1
Proposed GCA Factor (October, November and December 2007)
Vs.
Currently Approved GCA Factor (July, August and September 2007)

Monthly Consumption Dth	Bill At New GCA Factor	Bill At Current GCA Factor	Dollar Change	Percent Change
5	$ 74.51	$ 73.25	$ 1.26	1.72%
10	136.01	133.49	2.52	1.89%
15	197.52	193.74	3.78	1.95%
20	259.02	253.98	5.04	1.98%
25	320.53	314.23	6.30	2.00%

The GCA factor of $4.100/Dth represents a decrease of $0.420/Dth from the GCA factor of $4.520/Dth billed one year ago in Cause No. 37353-GCA92. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table No. 2
Proposed GCA Factor (October, November and December 2007)
Vs.
GCA Factor One Year Ago (October, November and December 2006)

Monthly Consumption Dth	Bill At New GCA Factor	Bill At GCA Factor One Year Ago	Dollar Change	Percent Change
5	$ 74.51	$ 76.61	$ (2.10)	(2.74%)
10	136.01	140.21	(4.20)	(3.00%)
15	197.52	203.82	(6.30)	(3.09%)
20	259.02	267.42	(8.40)	(3.14%)
25	320.53	331.03	(10.50)	(3.17%)

10. **Interim Rates.** The Commission finds that the rates approved herein should be interim rates, subject to refund, until the gas costs are reconciled in a subsequent GCA. Also, the Commission is unable to determine whether Petitioner will earn an excess return while this GCA is in effect. Accordingly, the Commission finds that the approved rates herein should be interim rates subject to refund, pending reconciliation of the gas costs in a subsequent GCA and in the event an excess return is earned.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Petition of Ohio Valley Gas Corporation for the gas cost adjustments for natural gas service, as set out in Finding Paragraphs No. 8 and No. 11, shall be, and hereby are approved, subject to refund in accordance with Finding Paragraph No. 10.

2. Petitioner shall file with the Natural Gas Division of the Commission, prior to placing in effect the gas cost adjustment herein approved, a separate amendment to its rate schedule that reflects the rate adjustments approved herein.

3. This Order shall be effective on and after the date of its approval.

HARDY, GOLC, LANDIS, SERVER AND ZIEGNER CONCUR:
APPROVED: SEP 1 9 2007

I hereby certify that the above is a true and correct copy of the Order as approved.

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission